



2022



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End of Financial year Actions

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In brief

Date	Changes and actions
21 May 2022	<ul style="list-style-type: none"> • FBT return and payments due if applicable unless lodging electronically through a tax agent
25 June 2022	<ul style="list-style-type: none"> • FBT return and payments due if lodging electronically through a tax agent
Pre-30 June 2022	<ul style="list-style-type: none"> • Trustee resolutions need to be in place to be able to distribute trust income for the 2021-22 financial year to beneficiaries (at the latest). • When making trust distributions, consider the ATO's more stringent stance on distributions to adult children, corporate beneficiaries and entities with losses • Ensure Tax File Numbers have been received from beneficiaries (excluding minors, non-residents and tax-exempt entities) before appointing income to them. • Pay superannuation to deduct contributions in the current financial year • Complete a stocktake where required (see Do you need to do a stocktake?) • Write-off bad debts and scrap any obsolete stock or plant and equipment • Ensure any inter-entity management fees have been raised
30 June 2022	<ul style="list-style-type: none"> • Last day of the 50% boosting apprenticeship wage subsidy
1 July 2022	<ul style="list-style-type: none"> • Super guarantee rate increases to 10.5% • \$450 super guarantee threshold removed • New ATO approach for unpaid trust distributions owed to corporate beneficiaries
14 July 2022	<ul style="list-style-type: none"> • Single touch payroll finalisation declarations need to be made (extensions can apply for closely held employees)
28 July 2022	<ul style="list-style-type: none"> • Quarterly super guarantee payment due (1 April – 30 June)
31 July 2022	<ul style="list-style-type: none"> • TFN report due for any TFNs received from beneficiaries in the June 2022 quarter.
28 August 2022	<ul style="list-style-type: none"> • Taxable payments annual reports for payments to contractors due
31 August 2022 (on or before)	<ul style="list-style-type: none"> • Send written notice of entitlement to distributions to any beneficiaries that are tax-exempt entities.
28 September 2022	<ul style="list-style-type: none"> • Temporary 50% reduction in fuel excise ends
30 November 2022	<ul style="list-style-type: none"> • Last day for pre-existing company directors that became a director on or before 31 October 2021 to acquire a Director Identification Number (30 November 2023 for directors of corporations under CATSI). This can include directors of corporate trustees.
1 January 2023	<ul style="list-style-type: none"> • Penalties will apply for phase 2 single touch payroll errors
30 June 2023	<ul style="list-style-type: none"> • Temporary full expensing for depreciating assets scheduled to conclude
1 July 2023	<ul style="list-style-type: none"> • Super guarantee rate increase to 11%

What's new

The ATO's aggressive stance on trust distributions

The ATO has released a package of new guidance material that directly targets how trusts distribute income. Many family groups will pay higher taxes (now and potentially retrospectively) as a result of the ATO's more aggressive approach.

Beneficiaries potentially impacted

The ATO's updated guidance focuses primarily on distributions made to:

- Adult children
- Corporate beneficiaries, and
- Entities with losses

but the guidance is not confined to those particular situations.

Distributions to beneficiaries who are under a legal disability (e.g., children under 18) are excluded from these rules.

Actions

For those with discretionary trusts it is important to ensure that all trust distribution arrangements are reviewed in light of the ATO's latest guidance to determine the level of risk associated with the arrangements. It is also vital to ensure that appropriate documentation is in place to demonstrate how funds relating to trust distributions are being used or applied for the benefit of beneficiaries.

Family trust beneficiaries at risk

The tax legislation contains an integrity rule, section 100A, which is aimed at situations where income of a trust is appointed in favour of a beneficiary but the economic benefit of the distribution is provided to another individual or entity. If trust distributions are caught by section 100A, then this generally results in the trustee being taxed at penalty rates rather than the beneficiary being taxed at their own marginal tax rates.

The latest guidance suggests that the ATO will be looking to apply section 100A to some arrangements that are commonly used for tax planning purposes by family groups. The result is a much smaller boundary on what is acceptable to the ATO which means that some family trusts are at risk of higher tax liabilities and penalties.

ATO redrawing the boundaries of what is acceptable

Section 100A has been around since 1979 but to date, has rarely been invoked by the ATO except where there is obvious and deliberate tax avoidance at play. However, the ATO's latest guidance suggests that the ATO is now willing to use section 100A to attack a wider range of scenarios.

There are some important exceptions to section 100A, including where income is appointed to minor beneficiaries or where the arrangement is part of an ordinary family or commercial dealing. Much of the ATO's recent guidance focuses on whether arrangements form part of an ordinary family or commercial

dealing. The ATO notes that this exclusion won't necessarily apply simply because arrangements are commonplace or they involve members of a family group. For example, the ATO suggests that section 100A could apply to some situations where a child gifts money that is attributable to a family trust distribution to their parents.

While still in draft form, the ATO's guidance sets out four 'risk zones' – referred to as the white, green, blue and red zones. The risk zone for a particular arrangement will determine the ATO's response:

- | | |
|------------|---|
| White zone | Aimed at pre-1 July 2014 arrangements. The ATO will not look into these arrangements unless it is part of an ongoing investigation, for arrangements that continue after this date, or where the trust and beneficiaries failed to lodge tax returns by 1 July 2017. |
| Green zone | Low risk arrangements unlikely to be reviewed by the ATO, assuming the arrangement is properly documented. For example, when a trust appoints income to an individual but the funds are paid into a joint bank account that the individual holds with their spouse then this would ordinarily be a low-risk scenario. Or, where parents pay for the deposit on an adult child's mortgage using their trust distribution and this is a one-off arrangement. |
| Blue zone | Arrangements might be reviewed by the ATO. The blue zone is the default zone and covers arrangements that don't fall within one of the other risk zones. The blue zone is likely to include scenarios where funds are retained by the trustee, but the arrangement doesn't fall within the scope of the specific scenarios covered in the green zone.

Section 100A does not automatically apply to blue zone arrangements, it just means that the ATO will need to be satisfied that the arrangement is not subject to section 100A. |
| Red zone | Arrangements will be reviewed in detail. These are arrangements the ATO suspects are designed to deliberately reduce tax, or where an individual or entity other than the beneficiary is benefiting. |

Adult children

High on the ATO's list for the red zone are arrangements where an adult child's entitlement to trust income is paid to a parent or other caregiver to reimburse them for expenses incurred before the adult child turned 18. For example, school fees at a private school. Or, where a loan (debit balance account) is provided by the trust to the adult child for expenses they incurred before they were 18 and the entitlement is used to pay off the loan. These arrangements will be looked at closely and if the ATO determines that section 100A applies, tax will be applied at the top marginal rate to the relevant amount and this could apply across multiple income years.

Entities with losses

Distributions from a trust to an entity with losses could also fall within the red zone unless it is clear that the economic benefit associated with the income is provided

to the beneficiary with the losses. If the economic benefit associated with the income that has been appointed to the entity with losses is utilised by the trust or another entity then section 100A could apply.

Circular arrangements

Circular arrangements could also fall within the scope of section 100A. For example, section 100A could be triggered if:

- The trustee resolves to appoint income to a company at the end of year 1.
- The company includes its share of the trust's net income in its assessable income for year 1 and pays tax at the corporate rate.
- The company pays a fully franked dividend to the trustee in year 2, sourced from the trust income, and the dividend forms part of the trust income and net income in year 2.
- The trustee makes the company presently entitled to some or all of the trust income at the end of year 2 (which might include the franked distribution).
- These steps are repeated in subsequent years.

Distributions to companies

As part of the broader package of updated guidance targeting trusts and trust distributions, the ATO has also released a draft determination dealing specifically with unpaid distributions owed by trusts to corporate beneficiaries. This draft determination applies to unpaid distributions arising on or after 1 July 2022 onwards.

If the amount owed by the trust is deemed to be a loan then it can potentially fall within the scope of the integrity provisions in Division 7A.

Division 7A captures situations where shareholders or their related parties access company profits in the form of loans, payments or forgiven debts. If certain steps are not taken, such as placing the loan under a complying loan agreement, these amounts can be treated as deemed unfranked dividends for tax purposes and taxable at the taxpayer's marginal tax rate.

While still in draft form, the ATO's new guidance looks at when an unpaid entitlement to trust income will start being treated as a loan. The treatment of unpaid entitlements to trust income as loans for Division 7A purposes is not new. What is new is the ATO's approach in determining the timing of when these amounts start being treated as loans. Under the new guidance, if a trustee resolves to appoint income to a corporate beneficiary, then the time the unpaid entitlement starts being treated as a loan will depend on how the entitlement is expressed by the trustee (e.g., in trust distribution resolutions etc):

- If the company is entitled to a fixed dollar amount of trust income the unpaid entitlement will generally be treated as a loan for Division 7A purposes in the year the present entitlement arises; or
- If the company is entitled to a percentage of trust income, or some other part of trust income identified in a calculable manner, the unpaid entitlement will generally be treated as a loan from the time the trust income (or the amount the company is entitled to) is calculated, which will often be after the end of the year in which the entitlement arose.

This is relevant in determining when a complying loan agreement needs to be put in place to prevent the full unpaid amount being treated as a deemed dividend for tax purposes and when the trust needs to start making principal and interest repayments to the company.

The ATO's view on "sub-trust arrangements" has also been updated. Basically, the ATO is suggesting that sub-trust arrangements will no longer be effective in preventing an unpaid trust distribution from being treated as a loan for Division 7A purposes if the funds are used by the trust, shareholder of the company or any of their related parties.

While still in draft form, the new guidance represents a significant departure from the ATO's previous position in some ways. The upshot is that in some circumstances, the management of unpaid entitlements will need to change. But, unlike the guidance on section 100A, these changes will only apply to trust entitlements arising on or after 1 July 2022.

Superannuation Guarantee increases to 10.5%

The Superannuation Guarantee (SG) rate will rise from 10% to 10.5% on 1 July 2022 and will then steadily increase by 0.5% each year until it reaches 12% on 1 July 2025.

If you have employees, what this will mean depends on your employment agreements. If the employment agreement states the employee is paid on a 'total remuneration' basis (base plus SG and any other allowances), then their take home pay might be reduced by 0.5%. That is, a greater percentage of their total remuneration will be directed to their superannuation fund. For employees paid a rate plus superannuation, then their take home pay will remain the same and the 0.5% increase will be added to their SG payments.

\$450 super guarantee threshold removed

From 1 July 2022, the \$450 threshold test will be removed and all employees aged 18 or over will need to be paid superannuation guarantee regardless of how much they earn. It is important to ensure that your payroll system accommodates this change so you do not inadvertently underpay superannuation.

For employees under the age of 18, super guarantee is only paid if the employee works more than 30 hours per week.

Temporary full expensing to be extended to 30 June 2023

Temporary full expensing enables your business to fully expense the cost of:

- New depreciable assets
- Improvements to existing eligible assets, and
- Second hand assets

in the first year of use.

This measure enables an asset's cost to be fully deductible upfront rather than being claimed over the asset's life, regardless of the cost of the asset. The last day to utilise the expensing measures is 30 June 2023 at which point, normal depreciation arrangements will apply.

Certain expenditure is excluded from this measure, such as improvements to land or buildings that are not treated as plant or as separate depreciating assets in their own right. Expenditure on these improvements would still normally be claimed at 2.5% or 4% per year.

The car limit will continue to place a cap on the deductions that can be claimed for luxury cars (\$60,733 in 2021-22 and \$64,741 in 2022-23).

Small business pooling

Small business entities (with aggregated annual turnover of less than \$10 million) using the simplified depreciation rules can deduct the full balance of their simplified depreciation general pool at the end of the income year while full expensing applies. The provisions which prevent small businesses from re-entering the simplified depreciation regime for five years if they voluntarily leave the system are suspended.

Opt-out rules

Taxpayers can choose not to apply the temporary full expensing rules to specific assets, although this choice is not currently available to small business entities that choose to apply the simplified depreciation rules for the relevant income year.

Tax treatment of disaster and pandemic relief payments, grants & loans

If you received a government grant or relief to help soften the blow of a disaster, the way these grants and loans are taxed might vary.

The following pandemic related grants can be tax-free if they are received in either the 2020-21 or 2021-22 income year by a business with an aggregated turnover of less than \$50 million:

ACT state grants

- COVID-19 Business Support Grant

NSW state grants

- 2021 COVID-19 business grant
- 2021 COVID-19 JobSaver payment
- 2021 COVID-19 micro-business grant
- NSW Accommodation Support Grant
- Commercial Landlord Hardship Grant
- NSW Festival Relaunch Package
- NSW Performing Arts COVID Support Package
- NSW Performing Arts Relaunch Package
- 2022 Small Business Support Program

QLD state grants

- 2021 COVID-19 Business Support Grants

SA state grants

- COVID-19 Additional Business Support Grant
- COVID-19 Business Hardship Grant
- COVID-19 Business Support Grant – July 2021
- COVID-19 Tourism and Hospitality Support Grant

VIC state grants

- Alpine Business Fund
- Alpine Resorts Support Program (Streams 1, 2 and 3)
- Business Continuity Fund
- Business Costs Assistance Program Round Two
- Business Costs Assistance Program Round Two – July Extension
- Business Support Fund 3
- Impacted Public Events Support Program
- Independent Cinema Support Program
- Licensed Hospitality Venue Fund
- Licensed Hospitality Venue Fund 2021
- Licensed Hospitality Venue Fund 2021 – July Extension
- Live Performance Support Program
- Melbourne City Recovery Fund – Small business reactivation grants
- Outdoor Eating and Entertainment Package
- Small Business COVID Hardship Fund
- Sole Trader Support Fund
- Sustainable Event Business Program

If the grant you received is not tax-free, you carry on a business and the payment relates to your continuing business activities, then it is likely to be included in your assessable income for income tax purposes unless a specific exemption applies. The position can sometimes be different where the payment was made to enable you to commence a new business or cease carrying on a business.

When it comes to GST treatment, the key issue is whether the grant is consideration for a supply. That is, was the business expected to deliver something for the grant? If not, GST does not apply.

Deductibility of COVID-19 tests

If your business provided RAT or PCR tests to employees, these expenses should normally be deductible to the employer.

While you would then need to consider whether these benefits are subject to Fringe Benefits Tax, a FBT exemption can be available under the otherwise deductible rule. The otherwise deductible allows an employer to reduce the taxable value of the fringe benefit (and therefore the FBT liability) by the amount of the income tax deduction the employee would otherwise have been entitled to claim at the time the benefit was provided had the employee incurred the relevant cost.

From 1 July 2021, employees are now entitled to claim a deduction for the cost of a RAT or PCR test to determine whether they may attend or remain at work.

However, a deduction for the employee is not available if:

- They worked from home and didn't intend to attend their workplace
- The test was used for private purposes (for example, to tests the kids before school).

If COVID-19 tests have been provided, the relevant documentation will need to be in place and a declaration signed by the employee.

Fuel tax credit changes

The Government temporarily halved the excise and excise equivalent customs duty rates for petrol, diesel and all other petroleum-based products (except aviation fuels) for 6 months from 30 March 2022 until 28 September 2022. This caused a reduction in fuel tax credit rates.

During this 6 month period, businesses using fuel in heavy vehicles for travelling on public roads won't be able to claim fuel tax credits for fuel used for this purpose. This is because the road user charge exceeds the excise duty payable, and this reduces the fuel tax credit rate to nil.

You can find the ATO's updated fuel tax credit rates that apply for the period from 30 March 2022 to 30 June 2022 on the ATO's website (<https://www.ato.gov.au/Business/Fuel-schemes/Fuel-tax-credits---business/Rates---business/From-30-March-2022/>).

Profits of professional services firms

If your trust operates a professional services firm, it will be important to understand the implications of finalised guidance from the ATO that applies from 1 July 2022.

The ATO guidance takes a strong stance on how the profits of professional services firms are structured and how profits flow through to the professionals involved. The ATO is specifically concerned with structures designed to divert income so the professional ends up receiving very little income directly for their work, reducing their taxable income.

Where these structures appear to be in place to divert income to create a tax benefit for the professional, Part IVA may apply. Part IVA is an integrity rule which allows the Commissioner to remove any tax benefit received by a taxpayer where they entered into an arrangement in a contrived manner in order to obtain a tax benefit. Part IVA may apply to schemes designed to ensure that the professional is not appropriately rewarded for the services they provide to the business, or that they receive a reward which is substantially less than the value of those services.

The guidance, which has now been finalised, sets out a series of tests to identify a practitioner's risk level, looking at the structure of the business and how profits are distributed, and whether the structure has any high risk features.

Some arrangements that were previously considered low risk may now fall into a higher risk zone.

For professional services firms, it will be important to assess the risk level and this needs to be done for each principal practitioner separately.

Areas of ATO scrutiny

Cryptocurrency in the headlines

The ATO has been very active lately trying to dispel myths about how cryptocurrency is taxed.

If your business accepts cryptocurrency as payment for goods or services, these payments are treated in the same way as any other. That is, if your business is registered for GST, the price paid by the person paying in the digital currency should include GST. Likewise, if you purchase goods or services for use in your business then you should generally be able to claim GST credits on the transaction in your activity statement, even if you used digital currency to make the purchase.

It is possible that an entity could hold cryptocurrency as trading stock if it is held for the purpose of sale or exchange in the ordinary course of a business. Any gains from the trades are then taxed in the business's income tax return. If you carrying on a business of trading cryptocurrencies, that is, you approach the trading in a business-like manner, then you can generally claim losses and other business expenses as a deduction.

Even if the cryptocurrency is not held as trading stock the disposal of cryptocurrency items will generally trigger a taxing event and it will be necessary to consider whether a gain or loss needs to be recognised for tax purposes.

The tax laws can be complex in this area and it's important to ensure that you get the right advice.

It's also important to keep records of your cryptocurrency transactions. The ATO regularly runs data matching projects and has access to the data from many crypto platforms and banks.

Trust 'housekeeping'

Payment deferrals

If you are having trouble paying your tax liability, please let us know as soon as possible so we can negotiate a deferral or payment plan with the ATO on your behalf.

Trust split arrangements

A trust split usually involves a family trust. A common reason given for 'splitting' the trust is to allow different parts of the family group to have autonomous control of their own part of the trust fund.

The ATO's view is that the split will create a new trust (as the trustee has new personal obligations and new rights have been annexed to property) and trigger a capital gains tax event, which could potentially give rise to a taxable capital gain.

TFN reporting

Has your trust lodged TFN reports for all beneficiaries?

Trustees of closely held trusts have some additional reporting obligations outside the lodgement of the trust tax return each year. The Australian Taxation Office (ATO) has been reviewing this area to ensure trustees comply with their obligations, particularly the requirement to lodge TFN reports for beneficiaries.

Where TFN provided

Where beneficiaries have quoted their TFN to the trustee, trustees are required to lodge a TFN report for each beneficiary. The TFN report must be lodged by the end of the month following the end of the quarter in which a beneficiary quoted their TFN. For example, if the trustee receives a beneficiary's TFN in April, they must lodge a TFN report by the end of July.

Where TFN not provided

Where a TFN has not been provided by a beneficiary, the trustee is required to withhold tax at a rate of 47% on distributions made to the beneficiary and pay this to the ATO. The trustee must also lodge an annual report of all amounts withheld.

Failure to comply with the TFN reporting and withholding requirements may trigger penalties.

Trust distributions

Timing of resolutions

Trustees (or directors of a trustee company) need to consider and decide on the distributions they plan to make by 30 June 2022 at the latest (the trust deed may actually require this to be done earlier).

Decisions made by the trustees should be documented in writing, preferably by 30 June 2022.

If valid resolutions are not in place by 30 June 2022, the risk is that the taxable income of the trust will be assessed in the hands of a default beneficiary (if the trust deed provides for this) or the trustee (in which case the highest marginal rate of tax would normally apply).

Anti-avoidance and 'round robin' trust distributions

Anti-avoidance measures prevent family trusts engaging in 'round robin' circular trust distributions with other closely held trusts.

The rules impose penalty rates of tax in situations where trust income is distributed to one or more other trusts and ends up being distributed back to the first trust. Before 1 July 2019, trusts that had made a family trust election were excluded from these rules but that is no longer the case.

Distributions to non-resident beneficiaries

In some circumstances, non-resident beneficiaries can be taxed in Australia on gains relating to foreign assets, which would not have been taxed in Australia had they been made by the beneficiary directly.

If a resident discretionary trust makes a capital gain, the ATO expects that this will normally be taxed in Australia, even if the gain is distributed to a non-resident beneficiary, even if the gain does not relate to Taxable Australian Property (TAP) and even if the gain has a foreign source. Given that non-resident beneficiaries will be taxed at non-resident tax rates and may not have access to the full CGT discount, it will be important for trustees to consider this carefully when deciding on distributions for trusts that have a mixture of resident and non-resident beneficiaries.

The ATO's determinations do not take into account the possible application of any double tax agreements. This is another issue that would need to be considered to reach a conclusion on how distributions are likely to be taxed in the hands of non-resident beneficiaries.

Low income tax offset and minors reminder

The low income offset has not been available to minors who only receive 'unearned' income (e.g. distributions from a discretionary trust) since the 2013 income year. Minors who only receive 'unearned' income will normally be subject to penalty rates of tax on income that exceeds \$416.

Normal marginal tax rates can potentially still apply to minors who receive distributions from a deceased estate or testamentary trust. However, recent amendments to the rules in this area are aimed at ensuring that minors are only taxed at adult marginal tax rates in respect of the income a testamentary trust generates from assets of the deceased estate (or the proceeds of the disposal or investment of these assets).

Streaming of franked dividends and capital gains

Trustees are only able to stream franked dividends (and the franking credits that are attached to those dividends) to a particular beneficiary for tax purposes if the beneficiary's entitlement to the franked dividends is recorded in writing by 30 June 2022. For streaming of capital gains to be effective for tax purposes, the beneficiary's entitlement must be recorded in writing by 30 June if the capital gains form part of trust income for the year or 31 August if the capital gains do not form part of trust income.

We can assist you with this process if you do wish to stream franked dividends or capital gains to specific beneficiaries.

Tax exempt entities

If a trustee resolves to distribute income to a tax-exempt entity, the trustee will be assessed on that income at the top marginal tax rate unless:

- The trustee actually pays the entire distribution within 2 months of the end of the income year; or

- The trustee notifies the entity in writing of its entitlement within 2 months of the end of the income year.

Also, anti-avoidance rules tax the trustee on a portion of the income distributed to a tax-exempt entity where there is a mismatch between the net financial benefit to be received by the entity and the tax treatment of the distribution.

Reporting payments to contractors

The taxable payments reporting system requires businesses in certain industries to report payments they make to contractors (individual and total for the year) to the ATO. 'Payment' means any form of consideration including non-cash benefits and constructive payments. Taxable payments reporting is required for:

- Building and construction services
- Cleaning services
- Courier services
- Road freight services
- Information technology (IT) services
- Security, investigation or surveillance services
- Mixed services (providing one or more of the services listed above)

The annual report is due by 28 August 2022.

Before you roll-over your software...

Before rolling over your accounting software for the new financial year, make sure you:

- Prepare your financial year-end accounts. This way, any problems can be rectified and you have a 'clean slate' for the 2022-23 year. Once rolled over, the software cannot be amended.
- Do not perform a Payroll Year End function until you are sure that your STP finalisation declaration is correct and printed. Always perform a payroll back-up before you roll over the year.

Employee reporting

Single touch payroll

Where payments to employees have been reported to the ATO through single touch payroll, a finalisation declaration generally needs to be made by 14 July 2022. However, there are some exceptions to this.

If the entity has 20 or more employees and some of them are closely held employees, then the finalisation declaration for the closely held employees needs to be made by 30 September.

For entities with 19 or fewer employees and which only have closely held employees the finalisation declaration should be made by due date for lodgement of the tax return of the relevant employee.

Employees will be able to access their Income Statement through their myGov account.

Closely held payees

Small employers (19 or fewer) are required to use STP for closely held payees from 1 July 2022. Payments to closely held payees can be reported through STP in one of three ways:

- Reporting actual payments in real time - reporting each payment to a closely held payee on or before each pay event (essentially using STP 'as normal').
- Reporting actual payments quarterly - lodging a quarterly STP statement detailing these payments for the quarter, with the statement due when the activity statement is due.
- Reporting a reasonable estimate quarterly - lodging a quarterly STP statement estimating reasonable year-to-date amounts paid to employees, with the statement due when the activity statement is due.

Small employers that have arm's length employees must report STP information on or before each payday regardless of the method that is chosen for reporting payments to closely held payees.

If your business has closely held employees, it will be important to plan throughout the year to prevent problems occurring at year end.

Reportable Fringe Benefits

Where you have provided fringe benefits to your employees in excess of \$2,000, you need to report the FBT grossed-up amount. This is referred to as a 'Reportable Fringe Benefit Amount' (RFBA).

Do you need to do a stocktake?

Businesses that buy and sell stock generally need to do a stocktake at the end of each financial year as the increase or decrease in the value of stock is included when calculating the taxable income of your business.

If your business has an aggregated turnover below \$50 million you can use the simplified trading stock rules. Under these rules, you can choose not to conduct a stocktake for tax purposes if the difference in value between the opening value of your trading stock and a reasonable estimate of the closing value of trading stock at the end of the income year is less than \$5,000. You will need to record how you determined the value of trading stock on hand.

If you do need to complete a stocktake, you can choose one of three methods to value trading stock:

- **Cost price** – all costs connected with the stock including freight, customs duty, and if manufacturing, labour and materials, plus a portion of fixed and variable factory overheads, etc.
- **Market selling value** - the current value of the stock you sell in the normal course of business (but not at a reduced value when you are forced to sell it).
- **Replacement value** - the price of a substantially similar replacement item in a normal market on the last day of the income year.

A different basis can be chosen for each class of stock or for individual items within a particular class of stock. This provides an opportunity to minimise the trading stock adjustment at year-end. There is no need to use the same method every year; you can choose the most tax effective option each year. The

most obvious example is where the stock can be valued below its purchase price because of market conditions or damage that has occurred to the stock. This should give rise to a deduction even though the loss has not yet been incurred.

Reduce your risks & minimise your tax

1. Write-off bad debts

To be a bad debt, you need to have brought the income to account as assessable income and given up all attempts to recover the debt. It needs to be written off your debtors' ledger by 30 June. If you don't maintain a debtors' ledger, a minute confirming the write-off is a good idea.

2. Review your asset register and scrap any obsolete plant

Check to see if obsolete plant and equipment is sitting on your depreciation schedule. Rather than depreciating a small amount each year, if the plant has become obsolete, scrap it and write it off before 30 June. Small business entities can choose to pool their assets and claim one deduction for each pool. This means you only have to do one calculation for the pool rather than for each asset.

3. Bring forward repairs, consumables, trade gifts or donations

To claim a deduction for the 2021-22 financial year, consider paying for any required repairs, replenishing consumable supplies, trade gifts or donations before 30 June.

4. Pay June quarter employee super contributions now

Pay June quarter super contributions this financial year if you want to claim a tax deduction in the current year. The next quarterly superannuation guarantee payment is due on 28 July 2022. However, some employers choose to make the payment early to bring forward the tax deduction instead of waiting another 12 months.

Don't forget yourself. Superannuation can be a great way to get tax relief and still build your personal wealth. Your personal or employer sponsored contributions need to be received by the fund before 30 June to be deductible.

5. Realise any capital losses and reduce gains

Neutralise the tax effect of any capital gains you have made during the year by realising any capital losses – that is, sell the asset and lock in the capital loss. These need to be genuine transactions to be effective for tax purposes.

6. Raise management fees between entities by June 30

Where management fees are charged between related entities, make sure that the charges have been raised by 30 June. Where management charges are made, make sure they are commercially reasonable and documentation is in place to support the transactions. If any transactions are undertaken with international related parties then the transfer pricing rules need to be considered and the ATO's documentation expectations will be much greater. This is an area under increased scrutiny.

What we need from you

This is a general list of what to have ready when we next meet with you:

- Accounts data file (MYOB, Quickbooks, access to Xero)
- Debtors & creditors reconciliation
- Stocktake if applicable (or, if your business is a Small Business Entity, use the simplified trading stock rules mentioned above)
- 30 June bank statements on all relevant loan documents
- Documents on new assets bought or sold, including the date you entered the contract and the date the asset was first used or installed ready for use
- Details of any grants or disaster loans received
- Details of any insurance payouts for your business or business premises
- Payroll reconciliation
- Superannuation reconciliation
- Cash book (if applicable)
- Details of any transactions involving cryptocurrency (e.g., Bitcoin, NFTs)
- 30 June statements on any investment or operating accounts

And, if we are preparing your individual income tax return:

- Income Statement
- Tax statements of managed investment funds
- Interest income from banks and building societies
- Dividend statements for dividends received
- For share sales or purchases, the purchase and sale contract notes
- For real estate sales or purchases, the solicitor's correspondence for the purchase and sale
- Rental property statements from real estate agent and details of other expenditure incurred
- Work related expenses
- Self-education expenses
- Travel expenses
- Donations to charities
- Health insurance and rebate entitlement
- Family Tax Benefits received
- Commonwealth assistance notices
- IAS statements or details of PAYG Instalments paid
- Details of any transactions involving cryptocurrency (e.g., Bitcoin, NFTs)
- Details of any income derived from participating in the sharing economy (e.g., Uber driving, rent from Airbnb, jobs completed through Airtasker etc.,)